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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-09 FRB-01 INR-07 IO-11 NEA-10 NSAE-00 OPIC-06

SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01 L-03 OIC-02

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TO SECSTATE WASH DC 0266
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UNCLAS SECTION 01 OF 02 OECD PARIS 02347

E.O. 11652: N/A

TAGS: EFIN, OECD
SUBJECT: INSURANCE COMMITTEE MEETING, JANUARY 15-16, 1975

REF (A) AS/A (76) 1 (B) DAF/AS/74.14

1. SUMMARY: AT MEETING ON JAN. 15-16, INSURANCE COMMITTEE ESPECIALLY NOTED AND EXAMINED DISCRIMINATORY NATURE OF FORTHCOMING EC DIRECTIVE ON LIFE INSURANCE, DEVELOPMENTS UNDER EC NON-LIFE DIRECTIVE, AND WORK OF WP ON INSURANCE IN DEVELOPING COUNTRIES. ACTION REQUESTED: SEE END OF PARA 4. END SUMMARY

2. EC INSURANCE HARMONIZATION: EC REP REPORTED ON PROGRESS IN PHASE TWO OF EC INSURANCE LIBERALIZATION AND HARMONIZATION UNDER THE DIRECTIVE PERMITTING FREEDOM OF ESTABLISHMENT IN LIFE INSURANCE. MOST SIGNIFICANT FACTOR FOR US WAS EMERGENCE OF PATTERN OF DISCRIMINATION AGAINST THIRD COUNTRY INSURANCE OPERATIONS IN EC. SUCH RESTRICTIONS WILL BE MUCH MORE SERIOUS THAN THOSE CONTAINED IN PREVIOUS NON-
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LIFE DIRECTIVE. UNDER LIFE DIRECTIVE, IMPLICIT RE-

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SERVES FOR THIRD COUNTRY INSURANCE FIRMS WILL NOT
BE RECOGNIZED, EVEN THOUGH SUCH RESERVES WILL BE
ACCEPTABLE FOR EC COUNTRY FIRMS. SINCE MOST LIFE
RESERVES ARE IMPLICIT, THIS DISCRIMINATORY TRATMENT
WILL HAVE A SIZABLE EFFECT ON NON-EC INSURANCE FIRMS.
SWITZERLAND, NORWAY, SWEDEN AND US EXPRESSED CONCERN.
EC REP INDICATED EC IS AWARE OF PROBLEM AND WILL EX-
AMINE FURTHER. HE AGREED TO SUPPLY OECD MEMBERS
WITH SUMMARY REPORT DESCRIBING RESERVES RULES, SOL-
VENCY REQUIREMENTS AND OTHER ITEMS IN NEW DIRECTIVE
SO THAT OECD MEMBERS CAN COMMENT. (FYI: IT IS EVI-
DENT THAT LIFE DIRECTIVE REMAINS STALLED IN THE EC
OVER SEVERAL ISSUES--ESPECIALLY THE QUESTION OF SPEC-
IALIZATION--AND IS NOT LIKELY TO BE ISSUED BEFORE
YEAR END. IF RESERVES RULES IN THE DIRECTIVE ARE
NOT CHANGED, ONLY RELIEF FOR US LIFE INSURERS WOULD
BE A BILATERAL AGREEMENT PURSUANT TO ARTICLE 32 OF
THE LIFE DIRECTIVE.)

3. EC NON-LIFE DIRECTIVE: EC REP PREDICTED THAT MOST
EC COUNTRIES WOULD HAVE IMPLEMENTING LEGISLATION IN
PLACE BY FEB. 1, L976. HE IMPLIED THAT THE FIRST
BILATERAL NEGOTIATION WITH A THIRD COUNTRY (SWITZ-
ERLAND) UNDER NON-LIFE DIRECTIVE IS PROCEEDING VERY
SLOWLY.

4. INSURANCE IN DEVELOPING COUNTRIES: IN REPORTING
ON WORK OF OECD WP ON INSURANCE IN DEVELOPING COUNTRIES,
CHAIRMAN OF WP (TOREN - SWEDEN) FOCUSED ON BACKGROUND
PAPERS PREPARED BY SECRETARIAT AND RECOMMENDATIONS
AT UNCTAD COMMITTEE ON INVISIBLES (CIFT) LAST FALL.
DIFFICULTY HAS ARISEN FOR WP BECAUSE OF REDUCTION OF
OECD SECRETARIAT SUPPORT FOR INSURANCE COMMITTEE
WORK, PURSUANT TO L976 OECD BUDGET DECISION OF COUNCIL.
THIS DECISION APPLIES AS WELL TO WP SO THAT WP RECEIVES
NO REAL OECD STAFF SUPPORT (TRANSLATIONS, ETC.) WHEN
IT MEETS TO COORDINATE INSURERS' VIEWS FROM INDUSTRIAL
COUNTRIES PRIOR TO UNCTAD MEETINGS. (FYI: THIS WP
PROVIDES EFFECTIVE MEANS TO ORGANIZE COHESIVE DEVELOPED
INSURERS POSITION. WE BELIEVE SECRETARIAT SHOULD BE
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URGED TO SUPPLY SOMEWHAT GREATER SUPPORT FOR THIS
GROUP (WHICH MEETS ONLY INFREQUENTLY). HOWEVER,
SINCE INSURANCE COMMITTEE WORK WOULD BE DIFFICULT FOR
FINANCIAL AFFAIRS DIRECTORATE IN LIGHT OF BUDGET
DECISION CONCERNING INSURANCE COMMITTEE, WE WILL
INVESTIGATE POSSIBILITY OF HAVING WP ON INSURANCE IN
DEVELOPING COUNTRIES BACKSTOPPED BY DEVELOPMENT DIRECTORATES UN-
LESS OTHERWISE INSTRUCTED.

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5. COORDINATION AMONG SUPERVISORY AUTHORITIES: MOST OECD MEMBERS CONTINUE TO BE INTERESTED IN DEVELOPING PROCEDURES FOR FORMALIZED COORDINATION AMONG SUPERVISORY AUTHORITIES. HOWEVER, SEVERAL STILL NOT

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PREPARED TO ACCEPT DECISION REF B. THEREFORE, COMMITTEE DECIDED TO ESTABLISH INFORMAL WORKING GROUP (CONSISTING OF REPS FROM FRANCE, AUSTRIA AND SPAIN) WHICH WILL PREPARE NEW DRAFT PROPOSAL TO BE CIRCULATED PRIOR TO NEXT INSURANCE COMMITTEE MEETING.

6. MINUTES AND AGENDA FOR NEXT MEETING: US INDUSTRY ADVISOR NOTED THAT CONTRARY TO DECISION OF COMMITTEE AT LAST MEETING, AGENDA (REF A) DID NOT CALL FOR EXCHANGE OF INFORMATION ON CURRENT DEVELOPMENTS IN INSURANCE MATTERS IN OECD COUNTRIES OTHER THAN EC. CHAIRMAN AGREED THAT THIS ITEM WOULD BE PLACED AT TOP OF AGENDA FOR NEXT SESSION, TO BE HELD IN NOVEMBER OR DECEMBER. AT THAT TIME NEXT PHASE OF EC

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WORK WILL ALSO BE READY FOR REVIEW (DIRECTIVES ON
(A) FREEDOM OF CASUALTY INSURANCE BUSINESS AND (B)
WINDING UP OF INSURANCE BUSINESS). SINCE SECRETARIAT
UNABLE TO PREPARE MINUTES FOR INSURANCE COMMITTEE,
IT WAS AGREED THAT INFORMAL MINUTES OF PRESENT MEETING
WOULD BE PREPARED BY REP OF COMITE EUROPEEN DES
ASSURANCE FOR INFORMAL DISTRIBUTION BY INSURANCE
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COMMITTEE CHAIRMAN.
TURNER

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